FY05-06 Closing and FY06-07 Opening Training

Presented by

The Colorado Fiscal Managers' Association and the State

Controller's Office



April 4, 2006

Presenters

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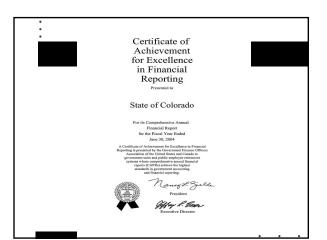
Agenda - General Session

- Hackett Group Benchmarking
- Opening Comments
- Calendar Highlights Closing and Opening
- FY05-06 Closing Changes
- IT Chart of Accounts
- Fiscal Rules
- Questions

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Agenda – Afternoon Optional Session

- AP Documents (budgetary accounting)
- COFRS Grant Module
- Paydate Shift
- Capital Construction



: The Hackett Group Benchmarking

Opening Comments

- Fiscal Procedures Manual

 - Website
 http://www.colorado.gov/dpa/dfp/sco/FiscalProcedures/FY06-07/manual06_07.htm
- · Audit Risk Letter
- Highlights
- Agency Planning Checklist



FY05-06 Calendar Highlights

CLOSING

- July 14
- August 2
- August 16
- September 1
- Audit Completion

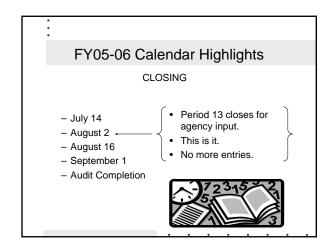


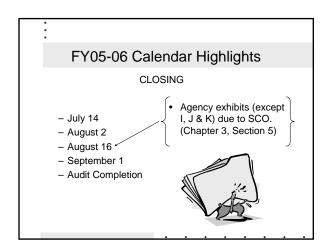
FY05-06 Calendar Highlights

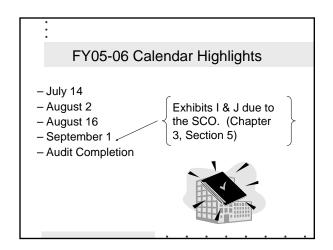
CLOSING

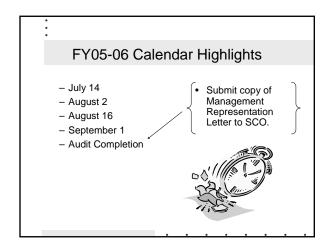
- July 14 🕻
- August 2
- August 16
- September 1
- Audit Completion
- Final Close of period 12.
- Last day for PV, IT, CR, encumbrance transactions. (See table Chapter 1, Section 3)



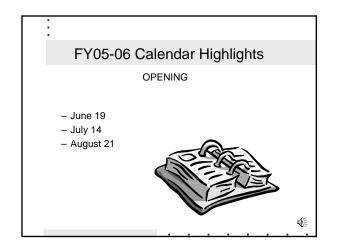


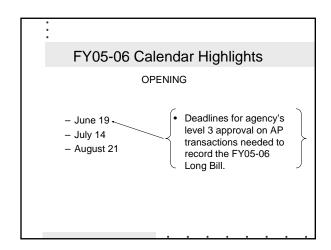


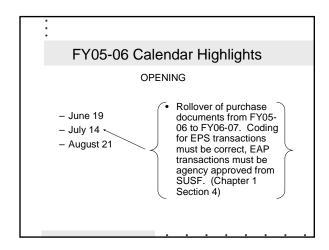


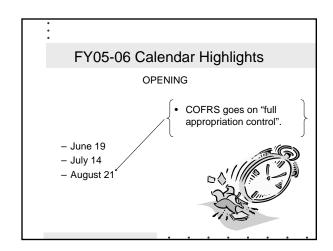


FY05-06 Calendar Highlights CLOSING • Transfers and Overexpenditures – July 25 Due date – July 28 Approvals scheduled – August 7 Overexpenditure signatures due









Calendar Review • Closing Opening - July 14 - June 19 August 2 - July 14 - August 16 - August 21 FY05-06 Closing Changes • Statewide Security Policy • Changes presented by Reporting and Analysis Statewide Security Policy POLICY - The Statewide Financial System: COFRS, Document Direct, Financial Data Warehouse, Colorado Personnel and Payroll System, and HR Data Warehouse

Statewide Security Policy

- ACCESS
 - User must sign compliance statement
 - Limited to job need
 - Individual user IDs
 - · password protected
 - New Ids consistent between TOP SECRET, COFRS, Document Direct & Financial Data Warehouse

Statewide Security Policy

- DELEGATION
 - Limited to Controllers
 - · Must comply with delegation agreement
 - Must receive delegation training
 - Input function may be assigned to staff, but Controller retains responsibility for profiles
 - Only one profile may have data entry capability per agency either the delegated controller or the person to whom he/she assigns data entry ability
 - FAST acts as security administrator for agencies who do not have a delegate

Statewide Security Policy

- CPPS
 - Users must attend training before access granted
- Information Requests
 - Processed according to statewide procedures for handling open records requests

Statewide Security Policy • EXCEPTIONS - Nonstandard Profiles • Requires approval of the State Controller - Access outside agency • Requires additional approval of the Statewide Security Administrator -FinancialSystemSecurity@state.co.us Statewide Security Policy REVOCATION - Access may be revoked for any reason if determined to be in the best interests of the state by the State Controller, authorized delegate or Statewide Security Administrator Statewide Security Policy • SECURITY PROFILES - High Risk: • PV: No one may have approve, and enter or correct - Includes multiple profile - Includes interfacing systems

Only approval by State Controller if:
there is an unavoidable need to deviate
there are alternate controls separate from the point

of entry

Statewide Security Policy - Moderate Risk: • JV – journal voucher • IN – Invoice • RQ – Requisition • PO – Purchase Order - Delegated Security Administrators may allow deviations from the recommended profiles • Management need exists • Controls separate from the point of entry exist • Must document evidence for exceptions granted

Statewide Security Policy

- Low Risk:
 - GM Grant Master
 - PJ Project Management
 - UC Utility Copy
 - EB Expense Budget
 - RB Revenue Budget
- Delegated Security Administrators may use their discretion for these transactions

Statewide Security Policy

- SPECIAL TRANSACTION APPROVALS
 - SCO
 - 5th level approval on APs, TAs, CXs, JAs, MWs (may delegate)
 - Treasury
 - 5th level approval on CRs, JAs, WRs

Statewide Security Policy • RESTRICTED SECURITY GROUPS - SCO Change and delete APP2, BGTC, EFTC, ETAX, SCO1, STD, USER, VADM, VOFF - State Purchasing CLI2, DVP2 (may delegate), PUR1 (may delegate), PUR2 (may delegate) - Delegated Security Administrators DPTS - COFRS Helpdesk • DPTS, HELP, SECA, SYAD Statewide Security Policy • Procedures & Forms - http://www.colorado.gov/dpa/dfp/sco • What's next? - New forms - New delegation agreements

Reporting & Analysis Issues

- General Information
- Changes to F/S and Closing Accounting Issues
 - GASB 47 Termination Benefits
 - GASB 42 Asset Impairment and Insurance Recoveries
- Changes to Exhibits

Reporting & Analysis Issues · Changes to Chart of Accounts · Other New Standards - GASB 46 - Net Assets Restricted By **Enabling Legislation** - GASB 44 - Economic Condition Reporting - The Statistical Section - GASB 43 & 45 OPEB **R&A General Information** Close is Friday August 4th - No delay this year - Closing reports on or after August 7th (Page • Final Diagnostics · Variance Analysis Exhibit J Data Report • Exhibit Reconciling Balances Report **R&A General Information** · All R&A reports will be distributed only through email.

• No hardcopy distribution.

R&A General Information · Changes in closing process assignments - Karoline Clark - Exhibits, SEFA, Cash Funds · Submit all exhibits to Karoline at karoline.clark@state.co.us • Karoline will route Exhibits I, J, and R to FAST - Melissa Dombroski - Postclosing entries and financial statements Chapter 3 Section 3 Fund Category Table for Intra/Interfund (page 96) - Four new FCATs for FY06-07 created from Other Special Revenue Funds - New intra/inter characteristic for some FY06-07 transactions

Chapter 3 Section 3

- Termination Benefits GASB 47 (page
 - Cost related to severance pay or inducing early retirement
 - Not payment for services rendered
 - Includes OPEB and COBRA benefits if not provided through a pension plan

Chapter 3 Section 3

- Termination Benefits GASB 47 (page 106)
 - Only amounts due and payable at June 30 are govt'l fund liabilities
 - Proprietary funds and GFAAG (471) must accrue as follows:
 - · Present value of projected benefits
 - · Discount using rate of the related investment return
 - Include a healthcare inflation assumption in projection
 - Section added to Exhibit U2 for related Note disclosures

Chapter 3 Section 3

- Termination Benefits GASB 47 (page 106)
 - If separation is voluntary accrue when accepted and measurable
 - If separation is forced accrue when:
 - Plan is adopted by authority
 - Communicated to employees, and
 - Measurable

Chapter 3 Section 4

- Suggested PERA footnote disclosures (page 110)
 - Contribution rate changes for AED
 - Segregation of State and School Divisions
 - Defined Contribution option for new hires after 1-1-06
 - Irrevocable opt back into Defined Benefit plan

Chapter 3 Section 4 · Financial Statement rollup tables (beginning page 112) - Insurance Recoveries • Other Financing Source for Govt'l Funds Nonoperating Revenue for Proprietary Funds only if realizable in years after impairment is recognized Changes to Exhibits-Summary • Exhibit A2 – HE Enterprise Status • Exhibit J/Fin Stmts – due date extended • Exhibit N1, N2 Changes to Exhibits-Summary • Exhibit O - Statewide Internet Portal Authority • Exhibit U1/U2 - Other Disclosures • Intra/Interfund Confirm Form

Changes to Exhibits

- · General Instructions:
 - Use Exhibit Reconciling Balances Report
 - · Preparing your exhibits
 - Reclassifying balances from noncurrent to current (after Period 12 close)
 - Exhibit Reconciling Balances Report will include total investments by FCAT

Exhibit A2 – TABOR (page 134)

- A2 applies at qualification or disqualification
- New Section C District boundary crossing expenses (when enterprise first qualifies)
 - Objective is comparability between current nonexempt revenues and the base.

Exhibit A2 - TABOR (page 134)

- New Section C District boundary crossing expenses (when enterprise first qualifies)
 - Two adjustments required to the base
 - Reduce base by prior year nonexempt revenues of the qualified enterprise
 - Increase base by prior year intradistrict transactions that would have crossed the district boundary if the activity had been a qualified enterprise in the prior year

Exhibit A2 - TABOR (page 134)

- Section D Fund Balance adjustments
 - HE institutions should report net assets of all funds except 320-325 and 399
 - SCO will provide a report of FY04-05 nonexempt revenue (Section B) and FY04-05 District Fund Balance (Section D) for each Institution as reported in the TABOR SOCs
 - Institutions should verify the amounts in the SCO report, complete Section C (district boundary crossing transactions and submit to SCO

Exhibit C – Change in LT Liab.

- Long Term Claims & Judgments belong in 2870 not 2990
 - Several postclosing adjustments in FY04-05 related to this misclassification
 - Please review your 2990 and reclassify to 2870 if those balances are claims or judgments

Exhibit D1/D2 - Debt Service

(page 140)

- · The following year's amortization of prem/disc and gain/loss on refunding is not a current liability
- · Do not accrue this amortization

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Exhibit H – Postclosing Adjmts

(page 152)

- Colorado does not do comparative financial statements
- All adjustment to prior years must affect beginning fund balance (and be material for disclosure)
- Do not submit Exhibits H to adjust operating statement accounts of prior years

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Exh J - F/S Reconciliation (page 158)

- Purpose Compliance with:
 - CRS 24-30-201(1)(d) and
 - Fiscal Rule 8-1 which requires the State Controller to approve all financial statements before publication
- FAST representative will issue a written document notifying you of approval to publish

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Exh J – F/S Reconciliation (page 158)

- State Controller reapproved a single due date – September 1
- · Submit Exhibit I with Exhibit J
- Individually list and cross reference Adjusting, Reclass, and Presentation Entries (do not aggregate or offset)

Exh J - F/S Reconciliation (page 158) · Post at will until September 1 - No materiality threshold - Submit Exhibit H if applicable - Adjusting entries below Exhibit H threshold require multiyear presentation on the Exhibit J Exh J - F/S Reconciliation (page 158) • After September 1: - All changes are audit adjustments requiring SCO approval and Exhibit H - Exhibit J revision only at FAST rep's request Exh N1- Custodial Credit Risk (page 184) · Additional Items subject to Custodial

Credit Risk

 Repurchase Agreements where the fair value is in excess of underlying securities

Closed end mutual fundsUnit investment trusts

Exh. N2 - Credit Quality Risk

(page 188)

- Do not "look through" a mutual fund
 - Report the mutual fund rating not the rating of the underlying securities
 - Report as unrated if the mutual fund itself is not rated
- Repurchase Agreements report based on underlying
 - Federal securities with explicit guarantees are not subject to credit quality risk

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Exh U1/U2- Other Disclosures

(page 204)

- Exhibit U split into U1 and U2
- New Sections on U2
 - Section B Replaces annual polling of agencies for potential GASB 39 component units
 - Section C Asset impairment report amount, description, and carrying value if idle

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Exh U1/U2- Other Disclosures

(page 208)

- New Sections on U2
 - Section D Termination Benefits -
 - Description
 - Number of employees affected
 - Time period for benefits payout
 - Cost of benefits accrued
 - · Change in Actuarial Accrued Liability
 - Assumptions used in estimate cost inflation, discount rate, etc

Rec/Payable Confirmations (page 218)

- Form Change Portrait format only
- · Process Changes
 - Only Seller will initiate confirmation forms except – University of Colorado
 - Agencies buying from CU must initiate form, complete all buyer fields, and send to CU

Rec/Payable Confirmations (page 218)

- Process Changes (cont'd)
 - CU will complete form, return to buyer, and submit to SCO
 - Other parts of the process are unchanged
 seller initiates and submits completed form to SCO

TABOR - Referendum C

- · Major provisions:
 - Five year time out on refunds
 - Highest FY Spending in the five years becomes the base at July 1, 2010
 - Created General Fund Exempt Account

General Fund Exempt Acct • Impact: - \$805 million of GFE appropriations - Historical definition of GFE: · Spending out of General Fund fund Balance • Overexpenditures in Fund 100 - New definition: • Fiscal Year Spending exempt from TABOR refund (Ref C appropriations) · Exempt moneys receive by and spent in the GF · General Funded Expenditures exempt from 6% limit General Fund Exempt Acct • Problem Statement: - Budgetary control is based on allocation of expenditures to funding sources with General Fund Exempt as the default for overexpenditures in Fund 100 and 461 - \$805 million of budgeted as GFE cannot be reported as overexpended General Fund Exempt Acct • Proposed Solution (Not final): - Create 1EX fund - Treat 1EX similar to fund 100 and 461 in budget diagnostic allocation process - Allow agencies to record expenditures in Fund 100 and reclassify to 1EX prior to close at the object code level

- Recombine Funds 100 and 1EX for financial

reporting.

Chap 5 Sec 5 TABOR (page 279)

- No time out on TABOR accounting and reporting
 - Classification as exempt and nonexempt remains critical
 - Calculation of base and refund remains essential

Chap 5 Sec 5 TABOR (page 279)

- Higher Ed is now a fully qualified TABOR enterprise except for:
 - GAA, GBA, GCA, GMA, GPA
- All revenue received from Higher Ed is original source revenue of the district
 - Record as nonexempt

Chap 5 Sec 5 TABOR (page 279)

- If a Higher Ed institution becomes disqualified:
 - Revenue received from the nonenterprise portion of that institution (funds other than the old funds 320-325)must be reclassified as exempt.
 - SCO will notify all agencies by email if any HE disqualifies

GASB 42 – Impairment (page 306)

- GASB 42 Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries
 - Required in FY05-06
 - Watch for impairment throughout year
 - Write down to service utility or fair value
 - Write down is permanent

GASB 42 - Impairment (page 306)

- Impairment Significant unexpected decline in service utility
- · Two step process:
 - Identify potential impairment
 - Test for actual impairment

GASB 42 - Impairment (page 306)

- Indicators of potential Impairment:
 - Physical damage fire, flood, wind, etc.
 - New law/regulation water treatment plant
 - Obsolescence technology changes
 - Manner or Duration of Use premature school closure
 - Construction Stoppage lack of funding

GASB 42 – Impairment (page 306)

- · Tests for impairment:
 - Assess whether decline is unexpected
 - Measure magnitude of service utility decline

GASB 42 - Impairment (page 306)

- Treatment of impairment varies:
 - Discontinued use of asset => report at lower of book or fair value
 - Continued use of asset => Measure magnitude of service utility decline and write down asset by that amount
 - See examples in a GASB 42 Appendix C (Restoration Cost, Service Unit Decline, Deflated Depreciated Replacement Cost)

GASB 42 - Impairment (page 208)

- Disclosures
 - Exhibit U2 Section C (if significant, not normal insurance recoveries)
 - Classify impairment as Special or Extraordinary if applicable Exhibit U1 Section A & B
 - Report carrying value of idle impaired assets

GASB 42 - Insurance Recoveries (page 315) Governmental Funds: - Separately report restoration/replacement • dr-Capital Expenditure, cr-Cash - Separately report insurance recovery • dr-Cash, cr-Other Fin. Source/Insurance Recovery - Convert to full accrual in Fund 471 • dr-Impairment Loss, cr-Capital Asset • dr-Capital Asset, cr-Capitalizable Prop Purch Expenditure • dr-Other Fin. Source/Insurance Recovery, cr-Impairment Loss GASB 42 - Insurance Recoveries (page 315) · Proprietary Funds: - Separately report impairment (net of insurance recovery) • dr-Cash, dr-Impairment Loss, cr-Capital Asset - Separately report restoration/replacement • dr-Capital Asset, cr-Cash GASB 42 - Insurance Recoveries · Government-wide and Proprietary when Insurance Recovery is next FY • dr-Impairment Loss, cr-Capital Asset • dr-Capital Asset cr-Cash/Capitalize Prop Purch Exp (if restored/replaced out of existing resources)

- Year 2:

• dr-Cash, cr-5861-Insurance Recoveries

Chart Changes (page 326)

- 28 New funds and/or FCAT changes,
 - Mostly Other Special Revenue Funds except
 - CollegeInvest one enterprise Fund
 - State Lands two permanent funds
 - Anybody one General Fund Exempt Account

Chart Changes (page 326)

- 4 new FCATs segregated out of Other Special Revenue Funds (Combining stmts only)
 - R8 Resource Extraction (10 funds)
 - R9 Resource Management (22 funds)
 - RA Environment and Health Protection (43 funds)
 - RB Controlled Maintenance Trust Fund (1 fund)

Chart Changes (page 326)

- Two new agencies
 - EBB Commission on Community Service
 - EHA Office of CO Benefits Mgmt Sys.
- Three new Object Codes
 - 1524 and 1624 SPS and CN PERA Amort. Equalization Disbursement
 - 2670 Education Srvc Fr HE Enterprises (SB04-189 Fee for service contracts)

Chart Changes Sixteen new Revenue Source Codes - 2408 – Judicial Intercepts - 5 new Individual Income Tax Checkoffs - 3 new license and permit accounts to support TABOR enterprise fund recording of revenue as exempt Chart Changes Sixteen new Revenue Source Codes

- 4457 to support recording of revenues from Brand Board as nonexempt
- Higher Education Only:
 - 5009 Nonappropriated Instr. Fees
 - 5060 HE Internal Service Center Activity
- 5103 Employee Deferral Fees
- 5860, 5861, and 6504 Impairment, and Insurance Recovery

GASB 46 – Restricted Net Assets

- Intent to clarify "Legal Enforceability"
- Colorado does not restrict net assets under enabling legislation because...

GASB 46 - Restricted Net Assets · Denver District Court: - "Crediting money to a special fund, in and of itself, means only that money from the General Fund usually is not used to fund the activity for which the special fund was created. It does not mean that the General Assembly is prohibited from appropriating the money in the special fund for another purpose." GASB 44 - Statistical Section Primarily R&A's responsibility · Mostly already implemented - CAFR trend information • Operating Information (Agencies): - Service useage statistics such as · Lane miles Medicaid patients

GASB 43 & 45 – OPEB • What is it? - Postemployment health care benefits - Life insurance, LT Care (if outside a pension plan) • How is OPEB provided? - GASB 43 is for OPEB plans provided through: • A plan sponsor • A public employees retirement system, or • An employer as a trust fund - GASB 45 is for employer reporting of OPEB plan

· Social Assistance Clients served

GASB 43 & 45 – OPEB • When is it due? - Issued in June 2004 for Phase 1 Implementation on July 1, 2007 (i.e., Fiscal Year 2008) • Why are you bothering us now? - Can't be implemented at the last minute - Requires actuarial valuations - R&A doesn't know if agencies have OPEB plans and can't plan for disclosures in CAFR

Two known plans:

- \$230/\$115 PERA Care subsidy (Reported by PERA)
- Plan operated by Colorado State University
- Are there more?

GASB 43 & 45 – OPEB

- · What has to be done?
 - Recognize OPEB cost systematically over the employee's years of service (prospectively - no more pay as you go accounting)
 - Provide relevant information including:
 - Actuarial accrued liabilities for promised benefits associated with past service
 - The annual cost of OPEB
 - · Progress in funding the plan

GASB 43 & 45 - OPEB

- · What has to be done NOW?
 - Understand the standard
 - Determine if you have plan reqmts
 - Inform the State Controller's Office if it applies
 - Make plans for an actuarial assessment
 - Consider Implicit Rate Subsidy rules if retiree benefit premiums are mixed with current employee premiums

IT Chart of Account Changes

- IT object codes
- Daniel Sullivan, Governor's Office of Innovation and Technology

Note

- 40 overall (in 3 categories)
- · No new IT object codes

Chart of Account Review

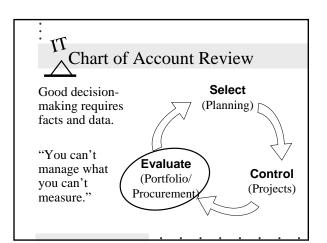
- Mission: <u>coordinate and direct the use</u> of IT resources and technologies by agencies
- Vision: most <u>cost-effective and useful</u> <u>exchange</u> of info among agencies as well as between government and its constituents
- Rule: every IT expenditure shall be coded with the most appropriate IT object code

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Chart of Account Review

IT Expenditure: Any purchase or disbursement or payment of money, by one or more state agency, for communications and information resources

- and/or technologies regardless of funding source (e.g., federal funds, grant, state appropriation) or
- acquisition mechanism (e.g., agreement, contract, purchase order). An expenditure is made when the actual spending occurs or when there is a contractual agreement requiring such spending and the amount is determined.



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Capit	alized	Non-cap	oitalized
Purchase	Lease	Purchase	Lease
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	nart of A	Accour	nt Revie	ew
	Capita	alized	Non-cap	oitalized
	Purchase	Lease	Purchase	Lease
Hardware				
Software				
Services				
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	nart of A	Accour	nt Revie	, hardware
	Capit	alized	Non-cap	oitalized
_	Purchase	Lease	Purchase	Lease
Hardware				
Software				
Services				
	'	'		'

Char	t of Ac	count Revi	hardwa .ew
Capita	lized	Non-capit	alized
Purchase	Lease	Purchase	Lease
		Supplies	
		Maintenance	
PCs			
Servers			
Other			
Network			

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	Purchase	Lease	Purchase	Lease
Hardware				
Software				
Services				
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Capita	lized	Non-capit	alized
Purchase	Lease	Purchase	Lease
		Maintenance	
PCs			
Servers			
Network			

	nart of A	Accour	nt Revie	ew
	Capitalized		Non-capitalized	
	Purchase	Lease	Purchase	Lease
Hardware				
Software				
Services				

Service: Chart of Account Review				
Capitalized		Non-capitalized		
Purchase	Lease	Purchase	Lease	
PerSvcs-Hw		PerSvcs-Hw		
PerSvcs-Sw		PerSvcs-Sw		
		ComSvcs-In		
		ComSvcs-Out		
		MNT pmts		
		GGCC bills		
		ADP bills		
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	Capitalized		Non-capitalized	
	Purchase	Lease	Purchase	Lease
Hardware	 supplies maintenance product: PCs, servers, network, other 			
Software	maintenance product: PCs, servers, network			
Services	 personal services (HW & SW), communication services (in & out), (other) billings (in & out) 			

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	Chart of Account Review
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Co	mmunication Strategy
V	Accounting staff (SCO)
	Budget staff (OSPB)
V	IT staff (CIOF)
	Purchasing staff (SPO)
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Fiscal Rule Changes Effective July 1, 2006

- Fiscal Rule 1-9
 - Defines fraud
 - Misstatements arising from fraudulent financial reporting, intentional misappropriation of assets, and theft or embezzlement of public property
 - Financial reporting includes intentional misstatements or omissions with the intent to deceive the user
 - Misappropriation of assets involve theft that causes the financial statements not to be presented in conformity with GAAP

Fiscal Rule Changes

- Fiscal Rule 1-9
 - Agencies are responsible to design and implement programs and controls to prevent, deter, and detect fraud
 - Any suspected fraudulent misstatements of the financials should be reported to the State Controller
 - \$5,000 reporting level, unless designated otherwise by the State Controller for your agency

Fiscal Rule Changes

- Fiscal Rule 5-1
 - Tips above 20% can approved by department controller in rare circumstances when deemed appropriate.
 - The maximum reimbursement rate for international calls is originating oversees and ending in the U.S. is \$20.
 - Clarified language to include breakfast/dinner as taxable income reported on an employee's W-2 for travel within a single day.
 - to breakfast/dinner for travel within a single day.
 Meal per diems have been updated to reflect federal changes.

